

authority. Therefore, in order to assist the Commission in preparing to consult with the FCC, the Applicant desires to begin the process of gathering the information to be utilized by the Commission in its consultation with the FCC.

LEGAL AUTHORITY:

The Commission has jurisdiction over the above entitled cause pursuant to 47 U.S.C. Section 151 et. seq., Art. IX, Section 18 of the Oklahoma Constitution, 17 O.S. Section 131 et seq., and 165:55 of the Oklahoma Administrative Code.

RELIEF SOUGHT:

The Applicant respectfully requests that the Commission authorize the Applicant to begin the process of gathering information for the Commission's review and that the Commission set the matter for public hearing to consider this Application.

Respectfully Submitted,
Ernest G. Johnson, Director
Public Utility Division
Oklahoma Corporation Commission

Marched D. Gray *for John W. Gray*
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Senior Assistant General Counsel
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(405) 521-2322

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

1 APPLICATION OF ERNEST G.)
2 JOHNSON, DIRECTOR OF THE) CAUSE NO. PUD
3 PUBLIC UTILITY DIVISION,) 970000064
4 OKLAHOMA CORPORATION)
5 COMMISSION TO EXPLORE THE)
6 REQUIREMENTS OF SECTION 271)
7 OF THE TELECOMMUNICATIONS)
8 ACT OF 1996.)
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TRANSCRIPT OF PROCEEDINGS

April 14, 1997

OFFICIAL REPORTER:

Bertha McMurry

D E C I S I O N

1
2 THE COURT: Reopen the record please in PUD 970000064.

3 Based on the pleadings filed in this cause, accepting the
4 testimony in the record, the comments placed into this record by
5 Southwestern Bell--and, as we are all aware, I have made it
6 quite clear--the burden is on Southwestern Bell to prove the
7 case that is before us; and, of course, this is less of a case
8 and more of an investigation into whether the Commission should
9 allow Southwestern Bell to provide intraLATA services.

10 As you are quite aware from the cases heard here at the
11 Commission, I am very much in favor of promoting competition.
12 I feel it is very desirable to open the marketplaces as we have
13 attempted to do in many of the cases at the Commission. It is
14 also important to look at the public interest in this area. In
15 this matter I have checked the regulations and the law and I
16 note that the public interest that is to be served is determined
17 by the FCC. So I will let that part of this matter go.

18 Southwestern Bell I believe in this filing does not meet
19 the requirements for intraLATA relief in Oklahoma. Southwestern
20 Bell cannot proceed under Section 271 (C) (1) (b). I want to make
21 that clear that in my opinion they can only proceed under "A".
22 There are facilities-based providers and there are several
23 others that have reached interconnection agreements or that have
24 interconnection agreements pending with Bell. It is my belief
25 that it is not a matter of whether these parties choose to meet

1 all fourteen of those requirements or not, but it is a matter of
2 whether Southwestern Bell is providing the ability for those
3 parties to use those 14 different requirements.

4 The question involved here is whether Southwestern Bell has
5 met the test. And again, I find the answer to be, "No."
6 Several parties have argued that there is a quantity or quality
7 level of local competition to be argued, and I find that not to
8 be true, too. But I can determine from the testimony and the
9 pleadings filed herein whether there are impediments or
10 blockades being placed in the roadway to the provision of local
11 competition. And based on the pleadings and testimony, at this
12 time I find that answer to be, "Yes, there are impediments and
13 blockades." That does not say that in 30 days or even 60 days
14 from now those impediments and blockades might not be removed.

15 I would point out that from some of the schedules and
16 implementation of certain parts of the agreement in the
17 arbitrations that I have heard, that I believe it was at least
18 July and I think maybe one of them was September before the
19 implementations would have taken place. I didn't go back and
20 look those up. You will have to refer to those in the ALJ
21 Reports yourselves.

22 Again, I find that the approval of the STC--and I have
23 given you pre-warning of this, everybody in here; I don't agree
24 with the arguments on either side. I find that the approval of
25 the STC has no bearing on this hearing. I have stated that on

1 appeals before the Commission En Banc in another proceedings.
2 I find the STC is a separate, distinct, offering by Bell to
3 whoever it may be--XYZ--to come forward if they want to use that
4 and sign it as an agreement to start providing service. I do
5 not find that it applies in this particular case. It may, if
6 Track "B" was appropriate, but with Track "B" not being
7 appropriate, it does not help Bell in this matter whatsoever.
8 It is merely an offering. Bell can only rely on the STC if no
9 interconnection agreements had been requested.

10 If you look at 271C(1)(b) it says: "Failure to
11 request...". If you read the rest of that, it is very plain,
12 despite the obvious end arguments, that requests have been made,
13 then the question comes down to, after the requests have been
14 made the provision for such requests are being taken care of by
15 its WB.

16 To put it in an even simpler way, I take the words out of
17 the statute. The question revolves on the "providing access and
18 interconnection."

19 Brooks Fiber is a qualifying facilities-based carrier under
20 Subsection A, but Bell has not satisfied the checklist because
21 Bell is "not providing access and interconnection" in such a
22 manner as to provide for competition in the marketplace. You
23 need to reread that. As I said earlier, in comparison with some
24 of the arguments, you can't quantify--it is not a matter of
25 competition; it is a matter of whether they are providing it and

1 it is available. It is not a matter of if they want to accept
2 it or not. If they choose not to accept it, that doesn't
3 disqualify Bell from being able to meet the checklist. But at
4 this time I find that they are not providing that.

5 Also, I strongly suggest that you go back and look at
6 96-218 and 96-243, the ALJ's report in those and the
7 Commission's final order regarding cost-based pricing for a
8 determination in answering all of the questions raised here
9 today for the evaluation of the acceptance of Southwestern
10 Bell's rates on an interim basis in those matters and the true-
11 up and you will find the reasoning and that will answer that
12 question.

13 Again, a predominately facilities-based provider is not a
14 numbers game but it is a question of access to facilities, an
15 equal ability to compete. Southwestern Bell need not rely upon
16 competitors to take all of the checklist items, but may
17 demonstrate compliance using its agreements, and such items must
18 be easily and equally accessible but must be "commercially
19 operational" on equal terms as to all.

20 Close the record.

21 (End of decision.)
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TRANSCRIPT OF PROCEEDINGS

April 14, 1997

OFFICIAL REPORTER:

Bertha McMurry

A P P E A R A N C E S

JOHN GRAY, Assistant General Counsel for the Oklahoma Corporation Commission, Public Utility Division, appeared for the Commission Staff;

RONALD E. STAKEM and STEPHEN F. MORRIS, Attorneys, appeared for MCI Telecommunications Corporation;

JENNIFER JOHNS, Attorney, appeared for Cox Communications of Oklahoma.

JACK P. FITE, KATHLEEN M. LaVALLE, MICHELLE S. BOURIANOFF, Attorneys, appeared for AT&T.

NANCY THOMPSON and MARTHA JENKINS, Attorneys, appeared for Sprint Communications Company, L.P.

MICKEY MOON and DARA DERRYBERRY, Attorneys, appeared for the Attorney General;

ROGER TOPPINS and AUSTIN C. SCHLICK, Attorneys, appeared for Southwestern Bell Telephone Company.

J. FRED GIST, Attorney, appeared for Brooks Fiber Communications Oklahoma, Inc. and Brooks Fiber Communications of Tulsa, Inc.

* * * * *

This Cause PUD 970000064 came on for hearing on the 16th day of April, 1997 before Robert E. Goldfield, Administrative Law Judge for the Corporation Commission of the State of Oklahoma for the purpose of taking testimony and reporting thereon;

The Cause was called for hearing, and the following proceedings were had:

1 THE COURT: We will open the record in PUD 970000064,
2 the Application of Ernest G. Johnson.

3 Please list your appearances.

4 MR. GRAY: John Gray on behalf of the Commission
5 Staff.

6 MR. STAKEM: Ronald E. Stakem and Stephen F. Morris on
7 behalf of MCI Telecommunications Corporation. I would move the
8 admission of Mr. Morris for the purpose of practice. He is a
9 member of the Texas Bar.

10 THE COURT: We will accept him.

11 MS. JOHNS: Jennifer Johns on behalf of Cox
12 Communications of Oklahoma City. I filed a Motion for Pro Hac
13 Vice in this proceeding this morning, along with a Petition to
14 have Kendall Parrish withdrawn as counsel in this proceeding.
15 I wonder if you would like to take that up right now.

16 THE COURT: Any objections? Accepted. Both.

17 MR. FITE: Your Honor, Jack Fite, Kathleen LaValle,
18 and Michelle S. Bourianoff on behalf of AT&T. The lead counsel
19 for AT&T will be Ms. LaValle.

20 MS. THOMPSON: Nancy Thompson and Martha Jenkins for
21 Sprint Communications Company, L.P.

22 MR. MOON: Mickey Moon and Dara Derryberry for the
23 Attorney General.

24 MR. TOPPINS: Robert Toppins and Austin C. Schlick for
25 Southwestern Bell Telephone Company. I previously filed a

1 Statement of Practice for Mr. Schlick. He is an attorney for
2 Kellogg, Huber.

3 THE COURT: All right, sir.

4 MR. GIST: Fred Gist appearing for Books Fiber
5 Communications of Oklahoma, Inc. and Brooks Fiber Communications
6 of Tulsa, Inc. For the record we should note the withdrawal of
7 counsel Edward Kadoo who was here earlier on other proceedings.
8 He is withdrawing as counsel because he will offer testimony.

9 THE COURT: So noted.

10 Mr. Gray, your application.

11 MR. GRAY: Thank you, Your Honor. As you know, as
12 required by the Telephone Act of 1996, the Corporation
13 Commission is responsible for consulting with the FCC after an
14 Application for intraLATA toll service has been filed by the
15 Bell Operating Company, which, in this instance, is Southwestern
16 Bell Telephone Company. As you know, Bell filed this past,
17 April 11, 1997, filed with the FCC making that request under
18 271.

19 The purpose of this docket is to gather information for the
20 Commission to use in consultation with the FCC. We would ask
21 that we proceed in a manner such that we receive the information
22 and be able to report back to the Commission findings based on
23 your recommendation. We would ask that any party who has filed
24 testimony and comments, we will address those issues which
25 culminate in your final report and recommendation.

1 Prior to that, I might make one request of the parties. I
2 have had an opportunity to talk with the FCC this week as to the
3 process in submitting our written consultation. What the FCC
4 has requested is that all of the documentation that has been
5 filed, that we place that with our written consultation from the
6 Commission and submit that to the FCC and to the DOJ. What we
7 are requesting is that the parties submit me another copy of all
8 of their filings, plus having it on a 3 1/2-inch disk in
9 Wordperfect.

10 Some of you have looked at the public notice which was also
11 issued this last Friday by the FCC. It lays out time frames and
12 so forth as to the process for this. If parties have no
13 objection, I would request that they provide the information on
14 a hard copy plus electronically.

15 MR. TOPPINS: We submitted with the filing everything
16 that is in the record that was required up until April 3
17 already. I don't know if they are wanting an additional copy or
18 not. We have flooded them with paper. It is already on file.

19 MR. GRAY: Is this your filing?

20 MR. TOPPINS: The entire record.

21 MR. GRAY: As I said, I spoke with them yesterday. As
22 late as yesterday, they made that request. There is a new
23 individual handling Oklahoma City. It started off being Cindy
24 Jackson and then went to Hal Dixon. Now It is Craig--and I
25 don't remember what his last name is. Was it submitted

1 electronically also?

2 MR. TOPPINS: No.

3 MR. GRAY: Okay. So then maybe they just need it on
4 a the disk in Wordperfect.

5 MR. TOPPINS: Just our own filings to you?

6 MR. GRAY: Yes. So that we can attach that to our
7 written consultation and get that to the FCC and DOJ.

8 THE COURT: So you want them to deliver that to you?

9 MR. GRAY: Yes. I guess the way I envision it, pack
10 up two boxes: a box for FCC and a box for DOJ with hard copies
11 plus electronically to put on the bulletin boards and so forth.

12 MS. THOMPSON: So, John, two copies?

13 MR. JOHNSON: Yes.

14 MR. MOON: Did they say whether or not they are going
15 to require a transcript of today's proceeding?

16 MR. GRAY: From previous discussions that we have had-
17 I attended a meeting of the FCC this past spring on this very
18 issue. They did want the transcripts at that meeting. I would
19 imagine that we should submit transcripts of this proceeding
20 also.

21 Thank you.

22 THE COURT: All right, Mr. Toppins?

23 MR. TOPPINS: Your Honor, as we have submitted in
24 hearings previously, all we have to offer today besides the
25 things that are in the record would be oral comments summarizing

1 our positions in the case, which Mr. Schlick is prepared to
2 make.

3 Also, as a housekeeping matter, I have a copy of the filing
4 that we made Friday at the FCC. I have made copies available.
5 I think most of the parties have already picked up copies, but
6 we have never put one in the record. I would inquire as to
7 whether we should do that today.

8 THE COURT: Mr. Gray?

9 MR. GRAY: I may have to look at the transcript, but,
10 as I recall when we first started talking about you submitting
11 a copy, did you file it here?

12 MR. TOPPINS: No, we decided not to file it at that
13 time. It was a draft. I now have the actual, final copy here
14 that was submitted to the FCC.

15 THE COURT: The copy that I received in my office
16 yesterday, was that the final?

17 MR. TOPPINS: The final.

18 THE COURT: Put that one into the record.

19 MS. LaVALLE: Your Honor, may the parties be heard to
20 object to the submission at this point of any sworn statements
21 by Southwestern Bell on the grounds that the procedural order
22 required that any such comments or statements be submitted
23 either on March 11 or March 25. To the extent that they would
24 want that filing to come in on any disputed fact issue at issue
25 in this proceeding, I think that opportunity to do that has

1 passed. The draft comments were not submitted, were not filed,
2 they were not sworn to. There are no witnesses being tendered
3 in this proceeding through whom any direct or rebuttal testimony
4 can be offered. I would submit that there really is no
5 difference between the FCC filing, and what we are trying to do
6 now is putting that into the record and asking that it be
7 considered. If they had wanted those facts to be considered, it
8 should have done so in accordance with the procedural schedule
9 set in this proceeding.

10 MR. TOPPINS: The procedural schedule is very clear.
11 We had to provide a draft copy of what we were providing to the
12 FCC on February 20. The procedural schedule is also clear that
13 we could revise that. We revised it and filed it with the FCC.
14 That is the thing that the FCC is going to consider. Whether
15 you want it in the record or not is a Commission decision, but
16 it contains Affidavits now just as we filed the draft copy on
17 February 20. The Court ruled that parties could submit written
18 comments or testimony. We chose not to file testimony. I am
19 not submitting this as testimony. I am submitting it as a copy
20 of what we submitted to the FCC. I am not proposing to put the
21 witnesses, the persons who signed the Affidavits on the stand.
22 That has been very clear for several weeks here. It is what it
23 is.

24 MS. LAVALLE: Your Honor, I believe that if they had
25 wanted today to submit the sworn Affidavits, what they would

1 have had to have done is to sign those Affidavits that were
2 initially tendered and not even actually offered for the record
3 and then updated them if they had needed to on the date of March
4 25 and to have witnesses attached to those individual Affidavits
5 so they could be subject to cross-examination under the rules of
6 this Commission. Having failed to do so, there is nothing in
7 the procedural order that would permit Southwestern Bell at this
8 point to enter into the record a copy of its FCC filing. The
9 specific provision for that, it could provide and should provide
10 its draft comments back on February 20. If it wanted to cause
11 those to become in any sense evidence in this record, it would
12 have had to have done so through the identification of witnesses
13 and tendering their prefiled testimony. And there is nothing in
14 the procedural order to provide, nor am I aware of Southwestern
15 Bell having asked for permission to introduce the FCC filing
16 itself as part of this proceeding.

17 THE COURT: Do any other parties wish to comment?

18 MR. MOON: Your Honor, I would object also to
19 including the filing that Southwestern Bell has submitted to the
20 FCC. It is not consistent with the procedural schedule. It is
21 duplicitious of what they have already filed. Also, I haven't
22 had an opportunity to see what they have filed and see whether
23 there is anything of substance that may be different than what
24 was submitted in this proceeding. And until we have an
25 opportunity--we didn't receive it until yesterday, late

1 afternoon--until I have an opportunity to look at that, I don't
2 think it is proper to admit it at this time.

3 THE COURT: Any other parties?

4 MR. MORRIS: Your Honor, for MCI we would support the
5 AT&T position. We also would call your attention to the rule of
6 the Commission 165:5-13-3(j) on prepared testimony.

7 MS. JENKINS: Your Honor, for the record, Sprint also
8 objects to the inclusion of Southwestern Bell's FCC filing and
9 concur in the remarks made by AT&T, the Attorney General's
10 office and MCI.

11 MR. GIST: Brooks Fiber would join in the objection as
12 well. We just got this big box of stuff yesterday afternoon.
13 I don't even know if they have sworn affidavits that are
14 different from the ones we had before. I don't think it should
15 be admitted.

16 MS. JOHNS: Cox would join in the objection.

17 MR. GRAY: Your Honor, I understand the objection of
18 the parties. My concern would be, what would the Commission
19 have-- If the Commission is limited to what is already in the
20 record, what would the Commission have to make its evaluation as
21 to the checklist? That is my only concern. It was always my
22 understanding that once Bell made their actual filing that it
23 would be filed here at the Commission.

24 THE COURT: Mr. Toppins, any final comments?

25 MR. TOPPINS: You can make the decision based on the

1 draft copy. He is going to explain the differences, and they
2 are relatively minor. This is kind of silly, in a way.

3 THE COURT: I will reserve the decision until the
4 differences are noted in the record.

5 MS. THOMPSON: Your Honor, may I inquire, was the
6 draft copy not a part of the record? I understood that it was
7 not going to be filed because it was so voluminous, but I think
8 I assumed that would be a part of the record. Do we need to
9 move to admit the draft copy?

10 THE COURT: I have assumed that some copy at some
11 time-- In the proceedings before that we have had in here, we
12 have stated that there would be changes in final copy, the final
13 filing. The only question raised in my mind is the problem of
14 whether there are major changes that the parties are aware of.
15 I left a little early yesterday afternoon. And lo and behold!
16 I had a surprise on my desk this morning. I will have to admit,
17 I have not read this filing, but I assume I have read a lot of
18 the material through the partial filings. I will let
19 Southwestern Bell explain the differences and I will make the
20 determination at that time.

21 MR. TOPPINS: I guess the other matter to be decided
22 is how to conduct the hearing today. I know that some parties
23 have prefiled testimony. There has been some stipulation made
24 that some witness need not appear because we are waiving cross.
25 We have agreed that their testimony can be filed without out

1 objection.

2 Do you have some ideas on how we can proceed?

3 THE COURT: I would say that the burden is on
4 Southwestern Bell and it should proceed first.

5 MR. TOPPINS: Will we have an opportunity to respond?

6 THE COURT: Yes. You may comment, as long as those
7 comments are in line with the filings.

8 MR. SCHLICK: I am Austin Schlick for Southwestern
9 Bell.

10 I would like to begin by addressing the question we were
11 just discussing, the differences between our federal filing on
12 April 11 and the draft that was available to the parties here on
13 February 20.

14 As Mr. Toppins suggested, there really are no differences
15 in the core facts and the arguments made in the final
16 Application as opposed to the draft provided. In addition to
17 line edit type changes which we made to the Brief and some of
18 the affidavits, typographical errors, etc. in our attempt to
19 improve the Brief in a stylistic way and tidy it up a bit, the
20 changes, as such, fall in four categories.

21 The first is that we updated the Petition to reflect
22 developments since February 20. Some that come to mind are the
23 Sprint and ICG agreements which were approved by this
24 Commission. Brooks Fiber submitted on the record in this
25 proceeding additional information about its facilities-based

1 service in Tulsa and Oklahoma City. In addition, we provided
2 some information about our compliance with the checklist since
3 February 20; for instance, new limitation of OSS functions,
4 which is one of the checklist items.

5 The second is that we revised the pleading and added some
6 additional affidavits to reflect the merger of SBC
7 Communications and Pacific Telesis. Pacific is the parent of
8 two Bell companies, and we have submitted information which will
9 allow the FCC to conclude that Southwestern Bell will provide
10 long distance in Oklahoma through a subsidiary that is separate
11 and not just Southwestern Bell Telephone but also from Pacific
12 Bell and Nevada Bell, the Bell companies in Pacific Telesis.

13 We have also included some changes to address issues raised
14 in this proceeding by the parties. That is essentially No. 2,
15 going from the file brief that was filed in this proceeding and
16 working into the opening brief so that we don't have to come
17 back to that.

18 Some additional information was requested by the FCC staff
19 and the Department of Justice. We have tried to respond to
20 their requests. Examples of that would be some more detail in
21 the pleading as to how a competitor who has an agreement with
22 Southwestern Bell would avail itself of the terms available in
23 the STC, which someone on the FCC staff requested. The
24 Department of Justice has been very interested in OSS issues.
25 We have attempted to provide them with some information on our

1 OSS procedures, as well as the training which we provide to
2 CLECs, competitive local carriers, to allow them to use OSS
3 capabilities.

4 The filing, as you know, will be reviewed by the FCC in
5 compliance with subsection 271(c), as well as the requirements
6 of 272, which requires structural separation, as well as the
7 public interest. This Commission is formally charged under the
8 statute with consulting, with respect to 271(c) compliance.
9 That really stands as a threshold requirement to get to the
10 public interest issue. So the question in this proceeding could
11 be said to be whether we will be allowed to present our public
12 interest arguments to the FCC at the appropriate time.

13 Assuming that the FCC finds that we are allowed to enter
14 the intraLATA business, Oklahoma is positioned to be the very
15 first state where a Bell company has been allowed to compete
16 head-to-head with incumbent long-distance carriers. It would be
17 a model for the country with respect to opening all
18 telecommunications markets, and under the FCC schedule, that
19 could happen as early as July 10, which is 90 days from the time
20 of filing.

21 I would like to expand on our basic point about opening
22 markets; that is, we think that the essence of this docket is
23 that competition in all markets is desirable. It is good for
24 Oklahoma. It is good for consumers. That is the position that
25 we have taken with respect to local markets as well as long-

1 distance markets.

2 It is also the position that this Commission has taken
3 certainly with respect to local markets. It was the first
4 Commission in the country to issue rules implementing the '96
5 Act and allowing local competition. It has granted eleven
6 Applications for Certificates of Convenience and Necessity for
7 local competitors competing with Southwestern Bell here in
8 Oklahoma. The Commission has also opened up such markets as
9 intraLATA toll, special access services, operator services, pay
10 phones in orders in recent years. So as a general rule, we
11 think the Commission has embraced and we embrace the competition
12 which is desirable for the state and consumers, but we think it
13 applies with special force in the intrtLATA market we are
14 seeking to enter.

15 The facts of that market are rather stark; they look stark
16 by looking at the pricing in the market. This is a chart which
17 is in the federal filing and also in the draft filing on
18 February 20 which shows long-distance pricing. You will note
19 the increase in prices by major carriers in recent years. I
20 would like to focus on the most recent period from 1994 to 1996.
21 Prices increased in that period by 20 percent nationwide, the
22 basic rates of the carriers. That contrasts with declines in
23 the cost of inputs to long-distance service. Access is the
24 largest input. it is the largest single cost in providing long-
25 distance service. Nationwide cost of access dropped by 10

1 percent from 1994 to '96 while the rates were going up by 20
2 percent.

3 The cost of actually, physically providing the service,
4 network transmission and switching is also dropping--our filing
5 says about 6 to 7 percent a year. So while we have costs
6 dropping, prices are increasing.

7 Now we think that there is direct evidence about the effect
8 of Southwestern Bell's entering Oklahoma would have on that, and
9 that is that in Connecticut state, which is served by Southern
10 New England Telephone, SNET, which is not a Bell Company, SNET
11 was allowed into the intraLATA market, which is really the
12 interstate market, in 1994. What it did, it offered a rate
13 which was 15 to 25 percent below the basic rates of AT&T, MCI
14 and Sprint.

15 In New Jersey, due to a quirk in the AT&T consent decree
16 back in 1982, Bell Atlantic has been allowed to provide long-
17 distance service, even though it is a Bell Company, between New
18 Jersey and Philadelphia and New Jersey and New York. And in
19 that area, Bell Atlantic is providing rates at about a third
20 below those of major carriers.

21 In response, AT&T has gone to the FCC--and MCI did the
22 same--and said, we would like permission to lower our rates
23 specifically in these corridors, and the reason is that we face
24 greater competition. That is what their FCC filing said. So if
25 there is any question about what will happen in this state, we

1 have two examples to suggest what the effects will be.

2 One thing I should point out is that long-distance carriers
3 have typically said that these rates don't matter. They say
4 nobody pays these as a basic rate. Everybody is on our discount
5 plan. Well, in Oklahoma in 1995, 64 percent of AT&T's
6 residential customers paid the basic rates, the rates on the red
7 line. So these rates are very relevant.

8 In addition to the likely pricing effects, one-stop
9 shopping is something which has become common wisdom in the
10 industry, that consumers are very desirous of receiving it. In
11 consumer surveys, consumers have said that they would like the
12 opportunity to take all types of communication services from a
13 single provider. Right now Southwestern Bell cannot provide
14 that because it is not allowed into interLATA.

15 In addition, AT&T, MCI, and Sprint are restricted in their
16 ability to offer it now, because under the Federal law, they
17 cannot combine their long-distance services with resold local
18 services of Southwestern Bell until Southwestern Bell enters the
19 long-distance market. That was the level playing field
20 provision in the '96 Act. So with our interLATA entry, all
21 sides can come in on a level basis in providing those bundles.

22 1 + dialing for intraLATA tolls is another result which
23 will follow under the Federal Act and under the state rules from
24 our intraLATA entry.

25 We submitted in draft form here--and again for the FCC--a

1 study that attempts to quantify. That was by the WEFA Group and
2 that was reviewed by some Oklahoma economists who said that if
3 anything, it was conservative. It projects that the benefits in
4 the year 2006 would be 10,000 additional jobs for the state from
5 the immediate intraLATA entry by Southwestern Bell and a \$700
6 million increase in the gross state product. So there would be
7 some pretty significant benefits, we think.

8 We also asked the public what they thought. We asked the
9 question: If long-distance companies can enter local markets,
10 should Southwestern Bell be allowed to provide long distance? In
11 this study, 84 percent said, yes, they should.

12 We had another pollster ask the same question. That came
13 out 89 percent. So it seems that there is interest potentially
14 in Southwestern Bell Service; that this is something the public
15 perceives as being in their best interest.

16 Now we think this public interest argument that we will
17 present to the FCC is overwhelming, but the important point is
18 that in this docket we are asking permission to present it. If
19 the FCC disagrees with us and if we are missing something, if it
20 would not be in the public interest, then they will deny the
21 Application on public interest grounds. The danger that we face
22 here is that we won't be allowed to present that argument and
23 make that showing that it is, in fact, in the public interest
24 before the FCC.

25 That brings me to the strategies that our opponents,